

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS
March 17, 2005

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Board of Directors met on Thursday, March 17, 2005, at 1:00 P.M. in the 12th Floor Training Room, Parkway Towers, Nashville, Tennessee.

The following members were present: Robyn Askew, Tim Bolding, Bill Bruce, Gerald Reed for Riley Darnell, Winston Henning, Loretta Jercinovich, Ronnie Knight, Ann Butterworth for John Morgan, Alvin Nance, Ralph Perrey, Brad Rainey, Janice Cunningham for Dale Sims, and Carl Tindell.

The following members were absent: Bob Cooper, Dave Goetz, Gerald Konohia, Eddie Latimer, Tom Mottern, Sharon Reynolds, and Jackie West.

In the absence of Chairman Latimer, Vice Chairman Bill Bruce called the meeting to order and opened the floor for public comment. Mr. John King and Mr. Scott Shelhorn spoke on behalf of Providence Group, Inc., a 2003 LIHTC allocation recipient. Mr. King provided background information regarding development issues related to Providence Group's proposed development, Knox Estates, including a site change request that was approved by THDA in September 2004. The developer requests that THDA accept the return of the 2003 tax credit allocation and re-allocate the same amount in 2005. Mr. King urged Board members not to continue a policy or practice that penalizes, and he encouraged members to take the opportunity to adopt a policy that recognizes the equities of a particular situation and gives relief where appropriate. Mr. Shelhorn reiterated Mr. King's information regarding Knox Estates, and added that there is a strong need for affordable rental housing in Knox County.

Mr. Bruce opened the floor for comments regarding the Providence Group, Inc., matter. There were none and no motions were offered.

The first item on the agenda was approval of the January 20, 2005, meeting minutes. Mr. Bruce advised that the minutes contain an error on Page 3, second paragraph, in regard to the number of opposing votes reflected. The minutes indicate one (1) opposing vote; however, this number should have been three (3), or possibly four (4). Mr. Bruce suggested that any motion to approve the minutes include that the number of negative votes be corrected following an accurate determination by staff. Mr. Knight moved approval. Ms. Butterworth seconded. The minutes were approved with the understanding that the correct number of negative votes would be determined.

Ms. Janice Myrick, Executive Director, presented service award certificates to Donna Duarte, Director of Program Compliance, for 10 years; Joe Brown, Director of Fiscal Administration/Controller for 15 years; and Wanda Mallory, TRACS Specialist, for 25 years.

Ms. Myrick introduced Ms. Michele Neely, THDA's recently hired Assistant Director of Rental Assistance. Ms. Neely most recently served as Executive Director of the Macon (GA) Area Habitat for Humanity.

Ms. Myrick referenced the monthly report and offered to answer questions regarding the monthly report. There were no questions.

Although the Bond Finance Committee meeting was cancelled, there was Committee business to come before the Board. Ms. Ann Butterworth, Assistant to the Comptroller for Public Finance, advised that the Agency's financial advisor contract expires on June 30, 2005. Staff initiated the request for proposal process. In mid-February, a request for proposals was distributed to 26 firms listed as Financial Advisor in the 2004 NCSHA Directory, the top 10 housing financial advisors as listed in a recent publication of *The Bond Buyer*, as well as all firms responding to an advertised request for proposal. Staff held a pre-proposal conference and the only firms to participate were the four (4) firms submitting proposals: Caine Mitter & Associates, Inc., CSG Advisors, First Southwest Company, and Piper Jaffray. Staff and Committee members intended to make a final selection recommendation at this Board meeting; however, because the proposed contract period is July 1, 2005, through June 30, 2010, a longer proposal review period is necessary. Pricing proposals have not been opened; however, staff is hopeful that a selection recommendation can be made in the next several weeks.

Ms. Butterworth entered a motion for the delegation of authority, including authorizing the Bond Finance Committee, with advice from the General Counsel, to select the financial advisor and to negotiate and execute the contract for financial advisor services. Mr. Perrey seconded the motion. The motion carried unanimously.

Ms. Myrick briefed members on Legislative Committee discussion calling attention to bills of interest related to housing. Ms. Myrick was excited to report that HB993/SB1136 (the "HOUSE Bill") is beginning to move through the House of Representatives and is on the March 22nd calendar for State & Local Government Committee. Several non-profit groups support this bill and the Tennessee Association of Housing and Redevelopment Authorities (TAHRA) is also supportive of this legislation. Mr. Bruce thanked staff for their diligence in support of the HOUSE Bill.

Vice Chairman Bruce gave the floor to Mr. Reed, Chairman of the Grants Committee. Regarding the CHDO/HOME Awards for 2005, Mr. Reed advised that application spending requirements have hindered 2005 CHDO applications in rural areas. CHDOs were hopeful that draw down requirements could be waived in order to be eligible to apply in 2005. Staff proposes an alternative that could provide another opportunity for rural CHDOs. Staff recommends that if a sufficient number of applications are not received from rural CHDOS to fully utilize the CHDO set aside, including funds not allocated last year, THDA should have a second round of funding for rural CHDOs, as long as they have met the spending guidelines by June 30, 2005. Mr. Reed moved approval of staff's recommendation. Mr. Bolding seconded the motion. The motion passed unanimously.

Mr. Reed reported that the Grants Committee reviewed 2002 HOME one-year contract extension requests from the City of Morristown, Volunteer Behavioral Health Care System, Carey Counseling Center, Inc., Knox Housing Partnership, AIM Center, and Quinco Counseling Center. Mr. Reed noted that several of these projects are ones that will provide housing for mental health patients. Upon the Grants Committee recommendation, Mr. Reed moved

approval of the requested one-year contract extensions. Mr. Rainey offered a second. The motion carried, with Mr. Nance abstaining.

Mr. Reed called attention to the informative report on the 2005 ADDI Program. He encouraged members to read the report as it provides details on who was served by the program. Mr. Reed welcomed input from members regarding policy requirements of next year's program.

Mr. Rainey shared Policy & Programs Committee items with the Board. Mr. Rainey reported that staff recommends discontinuance of the direct servicing pilot program and sale of the servicing rights to the loan portfolio THDA is currently servicing to an existing servicer through a competitive bidding process. At the January 2005 Board meeting, the decision was made that no new loans would be serviced. Staff reviewed the Agency's servicing operation and found a lack of expertise and adequate resources to continue the direct servicing of approximately 700 loans. Upon the Policy & Programs Committee's acceptance of staff's recommendation, Mr. Rainey entered the motion to discontinue the pilot program and sell the servicing rights through a competitive process. Mr. Perrey seconded. Following discussion regarding price for the servicing, Ted Fellman, Deputy Executive Director for Single Family Programs and CFO, stated that the Board would be notified in the event the rate is at or near market rate. Mr. Fellman reported that informal discussions with the five authorized servicers show promise of a fair sale. Mr. Nance inquired whether other servicers would be contacted to bid. Ms. Miller responded that the five servicers, or any other servicer qualifying as a THDA servicer, would be contacted to bid. With no further discussion, the vote on the motion was taken. The motion carried unanimously.

Regarding income limits, Mr. Rainey stated that the item before the Board could raise income limits in Knoxville MSA, Jackson MSA, Chattanooga MSA, and "All Other Areas". Mr. Rainey referenced the memorandum from Lorrie Shearon, Director of Research and Planning, and the handout of proposed limits by county. Upon the Policy & Program Committee's recommendation, Mr. Rainey moved adoption of staff's income limits proposal effective April 1, 2005. Mr. Perrey offered a second. The motion carried, with Mr. Reed voting No.

Mr. Rainey reported that the Policy & Programs Committee has directed staff to draft a revised multifamily payoff policy for review and consideration at the May Board meeting. THDA is in receipt of several payoff requests; however, upon Committee discussion some members felt that the current payoff policy is unfair. Mr. Bruce stated that because of a conflict he recused himself from discussion on this item at the Policy & Programs Committee and will continue to do so should the item move forward.

Mr. Bruce opened the floor for Ms. Myrick to report on Other Matters. First, Ms. Myrick reported that staff will present the Agency's budget before the State & Local Committee for THDA's Senate Budget Hearing on April 12. The \$1.3 million improvement item for staff compensation approved by the Board in September was not included in the Governor's budget plan and staff expects questions about the item from State & Local Committee members.

Ms. Myrick referred members to the Consolidated Plan material provided. Mary McLennan, Chief of Planning, informed the Board that HUD requires THDA to develop a

consolidated plan every five years. The Consolidated Plan reports on the Small Cities Community Development Block Grant; HOME Investment Partnership including ADDI, Emergency Shelter Grant Program, and Housing Opportunities for Persons with AIDS, all federally funded and administered through four different state agencies. Ms. McLennan added that public meetings held in November 2004 were well attended and the need for affordable assisted living was a topic of discussion at every meeting, although not included in the 2000 Consolidated Plan. Many participants spoke in support of the return of HOUSE funding. As required, a draft of the 2005 Consolidated Plan will be posted to the Agency's website for a 30-day comment period. Following the comment period, it will be submitted to HUD.

Ms. Myrick informed Board members that HUD's performance-based review of the Agency's Section 8 Contract Administration is complete. The HUD report indicates many findings and staff are in the process of responding to these findings. Mr. Bruce inquired if there are any major concerns. Ms. Myrick responded that the number of findings is of great concern. Staff is looking at each individual finding; however, there is nothing that indicates a financial problem as all findings relate to procedures.

Ms. Myrick summarized meetings with Tennessee's congressional delegation at LegCon, NCSHA's annual housing event promoting affordable housing legislation. At this time no bills have been introduced relative to bond programs and tax credit programs, although staff were able to speak to the delegation on housing issues. Staff continues to watch other areas such as HOME funding, housing choice vouchers, exit tax relief, and the viability of FannieMae and FreddieMac.

Ms. Myrick encouraged members interested in attending NCSHA's Spring Workshop in Philadelphia, May 14-17, to let her know so that travel approval can be requested.

With no other business to come before the Board, the meeting adjourned.

Respectfully submitted,

Janice L. Myrick
Executive Director

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